GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2856
ANSWERED ON:17.12.2004
LOSS TO NATIONAL INSURANCE COMOPANY
Acharia Shri Basudeb

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that National Insurance Company is incurring huge losses due to the unwise agreement signed with Reliance India Ltd ,in regard to the payment of money of default customers to RIL;

(b) whether as per the agreement the Insurance Company got 15 crores per year as premium, whereas it has paid more than Rs.150 crores to RIL on account of loss that RIL incurred due to default customers.

(c) if so, facts of the matter; and

(d) the steps taken / proposed to be taken by the Government in this regard ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (c): National Insurance Company Ltd. (NIC) issued a Contingency Policy in the year 2003-04 to Reliance Infocomm for a period of three years, covering the handsets against transit, accidental damage and other allied risks including default of usage bills by the subscribers. The total premium procured by the company under this policy was Rs.60.43 crores and the claims reported during the 2003-04 totalled Rs. 152.34 crores. The value of claim paid by the company till 31st October 2004 Was Rs.120.60 crores and the remaining Rs.31.74 crores was outstanding on that date.

(d) The company has taken a number of steps to address the issue of high claims under the Policy. These include i nvestigation of claims, legal proceeding for recovery from the subscribers etc. The company has also arranged Alternate Risk transfer (ART) Reinsurance cover to take care of the unexpected large volume of losses.